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Arizona Public Service Company

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November 15, 1996

Arizona Corporation Commission
DOCKETED

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DOCKETED BY 

Gary Yaquinto, Director -- Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: First Request For Documents and Information Concerning
Proposed Rule on Industry Restructuring --
Docket U-0000-94-165

Dear Gary:

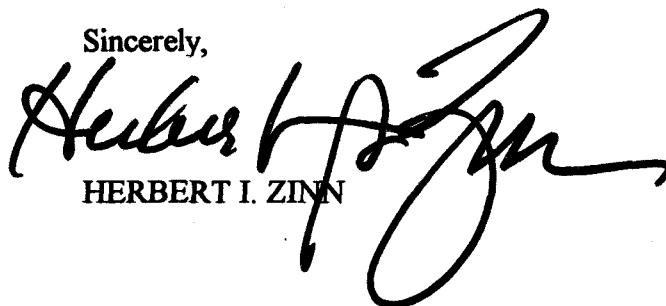
Arizona Public Service Company ("APS" or the "Company") hereby submits to Staff the attached data requests and requests for documents in the referenced matter.

Given the significance, impact and widespread public interest in the Proposed Rules, APS expects Commission's normal discovery rules, which are applicable to essentially all proceedings (even rulemakings) under A.A.C. R14-3-101, will be applied so that APS can prepare further written comments to the Commission in this proceeding. To the extent Staff believes that, notwithstanding A.A.C. R14-3-101, discovery per se is not applicable in this docket, please accept this letter and the attached requests as though made under the Public Records Law (A.R.S. § 39-121, et seq.). In these instances, A.R.S 39-121 apparently contemplates immediate compliance. However, Commission practice generally allows ten (10) calendar days for a response. Because of the time constraints, APS would greatly appreciate a response as soon as practicable.

APS is also willing to review the requested materials at your offices and arrange for their copying at its expense, once Staff has made the documents available for that purpose.

Thank you in advance for Staff's cooperation. Please call me if you have any questions.

Sincerely,


HERBERT I. ZINN

**Commission Proposed Rule on Industry Restructuring
Docket U-0000-94-165**

**Data Requests of Arizona Public Service Company
November 15, 1996**

1. Please provide all documents or information identifying the orders, reports, analyses, etc., from any other jurisdictions (including FERC and foreign countries) upon which the Proposed Rules were based, or which were considered in any fashion in the formulation of the Proposed Rules.
2. With respect to Staff's stated review of activities in other jurisdictions, including New Hampshire, Massachusetts, Illinois, Rhode Island, Texas, Alberta and New York (per Page 9 of EIS to Proposed Rule), please indicate as to each such jurisdiction (and provide any available supporting documents):
 - a) how stranded investment was treated;
 - b) the extent to which incumbent utilities remained obligated to serve customers granted freedom of choice;
 - c) specific measures taken to ensure service reliability;
 - d) the extent to which evidentiary hearings were held prior to passage of legislation or issuance of the relevant agency order;
 - e) the extent to which retail access was accomplished by regulatory agency action alone, legislation alone, or a combination of both;
 - f) the issues identified in such jurisdiction as fundamentally important to the implementation of retail electric competition;
 - g) which services were identified as Competitive Services; and
 - h) how each of the above jurisdiction's treatment of the above issues influenced Staff's resolution of such issues in the Proposed Rules.
3. Please provide all documents representing either Staff's analysis or any other analysis of the impact of other states' deregulation activities on Arizona customers or utilities.

4. If not provided in response to Question No. 3, please provide any documents or other analyses demonstrating or concluding that by California electric consumers obtaining access prior to Arizona, the benefits of access will be significantly diminished for Arizona consumers.
5. Please provide all documents or information forecasting what the economic effect of competition will have on small customers, both residential and small businesses, in the near term (up to five years) following the introduction of competition and any documents supporting such forecast. For purposes of this request, small customers are all residential customers and business customers below 100KW.
6. Please provide all documents or information upon which the conclusions set forth in the Economic Impact Statement ("EIS") were based or which were relied upon or reviewed by Staff in its preparation.
7. Please explain in detail how the EIS was prepared, including when preparation began and why it was not circulated for comment by interested parties.
8. Please provide all documents or other information identifying, describing or quantifying:
 - a) the specific benefits Staff believes will result specifically from the Proposed Rule (as opposed to other developments), who will receive them, and in what estimated amounts;
 - b) the specific impacts or costs Staff believes will result from the Proposed Rule, who will be impacted and to what degree; and
 - c) the estimated costs of compliance and implementation upon Affected Utilities.
9. Please provide Staff's estimate, and all supporting documents, analyses, and assumptions, of the Proposed Rule's impact on:
 - a) reliability;
 - b) changes in delivered electric prices for consumers, broken down by utility and customer class and region (e.g., desert, mountain, plateau, etc.);
 - c) the Arizona and Southwest regional environment;
 - d) state, county and local governmental tax receipts (sales, property and income) and other revenues;
 - e) employment levels;
 - f) economic development;

- g) DSM programs;
 - h) low income programs;
 - i) the current IRP process;
 - j) construction of new generation, transmission and distribution resources;
 - k) financial condition of Affected Utilities;
 - l) the cost of capital of Affected Utilities; and
 - m) the utilization of Affected Utilities' existing plans and facilities.
10. Please explain in detail the basis for Staff's belief that the benefits outweigh the costs and provide any supporting documents.
 11. Please provide all documents or information which explains or describes the types of records the Commission may require under R14-2-1603(E)(2), and the financial and other reports that the Commission may require to be filed under R14-2-1603(E)(3). The information to be provided should include any analysis of individual utility loads affected and of customer transmission costs, analysis of operational issues and financial impact.
 12. Please provide all documents or information which explains, justifies, describes or in any way relates to the requirement set forth in R14-2-1604(A) that Affected Utilities make available at least 20 percent of their 1995 system retail peak demand for competitive generation not later than January 1, 1999.
 13. Please provide all documents or information which explains, describes or in any way relates to the requirement set forth in R14-2-1604(B) that Affected Utilities make available at least 50 percent of their 1995 system retail peak demand for competitive generation not later than January 1, 2001.
 14. Please provide all documents or information which explains, describes or in any way relates to the requirement set forth in R14-2-1604(D) that Affected Utilities make available all of its retail for competitive generation not later than January 1, 2003.
 15. Please provide Staff's evaluation of alternative phase-in proposals, including the advantages and disadvantages of each method evaluated by Staff, and the estimated costs of implementation.

16. Please provide all documents or information which explains or any way describes the basis upon which the Commission will make a determination that competition has been substantially implemented under R14-2-1606(A)(1). Please define the term "substantially implemented."

17. With respect to Proposed R14-2-1606:

- a) Please explain in detail why an Affected Utility should be required to offer Standard Offer bundled service (under the conditions set forth in R14-2-1606) to customers who are not required to purchase such service from an Affected Utility.
- b) Please define "costs" for purposes of R14-2-1606(B)(3) and (G)(2).
- c) Please provide a copy of that portion of the order, regulation, or statute from any jurisdiction (U.S. or foreign) considering or implementing retail competition that imposes a similar requirement as the "standard offer."
- d) Please provide any analysis that relates or quantifies the impact of such a requirement of utilities, existing customers and rates.

18. What specific federal or state legislative or constitutional changes, if any, does Staff believe are necessary or desirable to fully implement the Proposed Rule?

19. Please provide all documents or information which was relied upon or considered by the Staff in its consideration of the impact the filing of

- a) customer information under R14-2-1606(C)(6);
- b) records of market transactions undertaken by willing buyers and sellers under R14-2-1607(C);
- c) reports on sales and solar power under R14-2-1609(D);
- d) contracts under R14-2-1612(C) and (D); and
- e) the categories of information set forth in R14-2-1614(A)(1) to (11),

will have upon retail electric competition in Arizona.

20. Please describe how Staff has given consideration to amendments to other statutes or rules that may be necessary to protect the competitive advantages attributable to or the confidentiality of documents and information that Affected Utilities or others subject to the Proposed Rule may possess (including, but not limited to those categories addressed under the

preceding data request). Please identify all such statutes or rules considered, and provide copies of all documents that address in any way the changes contemplated by Staff.

21. With respect to the stranded cost provisions of R14-2-1607:

- a) Does this section effectively require an Affected Utility to engage in unregulated business activities not related to the provision of electric service as a mitigation measure?
- b) If so, why?
- c) Please identify more specific examples of mitigation activities that were contemplated by Staff.
- d) If such activity is, in fact, not profitable, would this constitute "negative mitigation" and be netted against other forms of stranded cost mitigation?
- e) How will the Commission identify "feasible cost effective" mitigation measures and determine whether a utility has taken "every feasible cost-effective measure to mitigate"?
- f) How should an Affected Utility determine, *ex ante*, if a measure is "feasible" or "cost-effective"?

22. Please describe the basis for Staff's position that the Affected Utilities be required to "take every feasible, cost-effective measure to mitigate or offset Stranded Cost," as set forth in Proposed Rule R14-2-1607(A). Please provide all documents or information which identify the types of "services for profit" which are contemplated by the Staff as the basis for R14-2-1607(A).

23. Please provide all documents or information which were considered in arriving at the inclusion of "the amount of electricity generated by renewable generating resources owned by the Affected Utility" as a factor under R14-2-1607(E). Is such a factor to be considered by the Commission in determining whether a utility would recover all net unmitigated stranded costs? If yes, please explain why and how it would be so considered.

24. Please provide an estimate (with supporting work papers) of the cost to customers, suppliers, and others of complying with the Solar Portfolio Standard in R14-2-1609.

25. Please explain Staff's position as to how the solar capacity will be measured, and how compliance will be enforced.

26. Please provide any analysis that quantifies that the savings from competition will be greater than the costs to comply with the Portfolio Standard.

27. Please provide all documents or information identifying or relating to the Staff's consideration of interstate reciprocity in addition to the intra-state reciprocity provided for in R14-2-1611.
28. Please provide all documents or information describing or related to the Staff's estimation of market determined rates that will result from the Rule, as addressed in R14-2-1612(A).
29. Please provide all documents or information relating to the factors considered by the Staff in identifying and addressing the reliability of electric service related to the introduction of retail electric competition in Arizona.
30. Please provide all documents or information describing the basis upon which the Staff arrived at the reporting schedule set forth in R14-2-1614(B).
31. Please provide all documents or information describing the Commission's anticipated role at such time as retail electric competition becomes established and effective.
32. Does Staff agree that APS' existing CC&N is "exclusive" as against all other public service corporations? If not, to what extent are other public service corporations legally allowed (at present) to provide regulated electric services to customers in APS' existing certificated territory?
33. Please explain in detail why Staff opposed evidentiary hearings before adoption of the Proposed Rule, beginning in 1994.
34. To what extent are the "benefits" identified by Staff on Page 1 of the EIS likely to occur even if the Proposed Rule is not adopted? To what extent is it likely the Commission would take other actions that could accomplish the same similar benefits (*e.g.*, PBR)?
35. To what extent do the retail access provisions in California affect the "benefits" to Arizona identified by Staff on Page 1 of the EIS?
36. Under the Proposed Rule, is it possible some customers may pay higher rates than they would otherwise have, absent the Proposed Rule? If so, under what circumstances and how likely is it to occur? If not, please provide all documents or other analyses demonstrating that the rate unbundling, solar portfolio and other requirements of the Proposed Rules will not result in rate increases to any present customer of an Affected Utility. Please explain in detail the extent to which Staff considered this in drafting the Proposed Rule and the EIS.
37. Does the Proposed Rule require or consider comparable reciprocity as a condition to certificating a would-be out-of-state Electric Service Provider? If not, why not?
38. Please provide a copy of any legal analysis conducted by Staff (including the Legal Division) concerning the Commission's legal authority to require retail electric competition between public service corporations.

Gary Yaquinto
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39. Will the Commission have effectively rescinded its prior approval of the APS/SRP Territorial Agreement by passage of the Proposed Rules?
40. Please provide a copy of all Commission press releases, newspaper articles or internal communications quoting any Commissioner or Staff member, concerning retail electric competition since opening this Docket.
41. Page 2 of the EIS states that the "restructuring policy is preferred to alternatives considered." Please identify and explain each other alternative considered. Please provide any detailed analyses that demonstrate why the policy is preferred to each alternative considered. If no analyses are available, please explain in detail the benefits the policy provides in relation to each alternative considered.
42. Please provide any Staff analyses that led to Staff's conclusion of Page 4 of the EIS that "the benefits are achievable while limiting adverse financial impacts of competition on incumbent utilities." If no analyses is available, please explain the basis for Staff's statement.